

1 *Natural resources and Mediterranean agriculture*

1.1 - Introduction

There is widespread concern for the preservation of natural resources. It is also becoming widely recognised that farming and conservation of the natural environment are closely linked. Agriculture is the primary use of land throughout the major part of the world, influencing landscapes and biological diversity, which has evolved with the growth of farming. This is also true for the Mediterranean area, where agricultural systems have been a source of environmental value by maintaining landscapes, conserving bio-diversity and protecting historical features. The Mediterranean ecosystems have been recognised by scientific and environmentalist communities as being among the leading "Global 200" eco-regions of the world (Insausti, 2000).

Some of the non-trade concerns of agricultural policies are what economists call externalities¹. One problem in assessing the impact of agricultural systems on the environment is that they provide externalities. As with almost any production activity, agricultural activities can cause both negative and positive externalities that are not accounted for on the market.

It is almost impossible to find an agricultural system which produces only one type of externality, be it positive or negative, and it is normally difficult to assess the balance between the two. In the first sections of this chapter emphasis is placed on the negative environmental impacts of farming activities. The discussion will then move to the positive environmental impacts related to the multifunctional role of agricultural systems in rural development.

Many agricultural systems around the world are depleting soil resources and do not replace nutrients on a regular basis. In addition, agriculture is a significant user of water, and supplies are becoming limited in many countries. Of the world's fresh water used by people, agriculture uses more than 70% for irrigation. Unsustainable agricultural practices are significant sources of non-point pollution. The global challenges to find the solution to desertification, climate change, and loss of bio-diversity require major efforts.

¹ Externality, by definition, is an effect which the action of an undertaking or individual produces on other undertakings or individuals which or who are extraneous to that action; the effect can be negative or positive and can result for non-participants in the action in an uncompensated cost or advantage. (cf. UNCTAD, 1994 et Faucheux & Noël, 1995).

However, the agricultural sector is a key economic sector for many Mediterranean countries, particularly in the Southern and Eastern regions, measured in terms of total labour force employed in the country. Furthermore, **farming is not the sole cause of the most serious environmental problems in the Mediterranean area.** The natural resource base of the Mediterranean ecosystems have been threatened by demographic pressures and by a range of practices in different areas of economic activity, as in the case with overfishing and the overdevelopment of tourism. Tourism is a well-known source of environmental pressures, mainly due to the destruction of coastal cliffs, beaches and sand dunes, the pollution of bathing waters and the conversion of natural areas into tourism infrastructures.

When environmental impacts related to farming activities are significant, they are often the effect of how the agricultural systems are managed rather than of agriculture itself. In most cases the pressure on the natural resource base and degradation of the environment can be considered to be both a cause and an effect of the economic stress of the rural sector.

Sustainable agriculture and rural development should not be considered as contradictory goals. The main objectives of rural development include growth, poverty reduction, employment generation and sustainability. For these criteria to be fully integrated into the process of economic development, it is argued that environmental protection and sustainability dimensions should be carefully integrated into agricultural policy analysis. According to this view, environmental problems become a constraint upon rural development and there is a need to achieve development strategies that allow the conservation of the natural resource base and, at the same time, promote growth and reduce poverty in rural areas (see Box 1.1). Environmental concerns must be integrated into national, social and economic development programmes in a way that makes environmental protection an instrument of growth rather than a restraint on development or trade.

Box 1.1 - Sustainable agriculture and rural development

FAO has adopted the following definition for *sustainable agriculture and rural development (SARD)*:

“Sustainable development is the management and conservation of the natural resource base, and the orientation of technological and institutional change in such a manner as to ensure the attainment and continued satisfaction of human needs for present and future generations. Such sustainable development (in the agriculture, forestry and fisheries sectors) conserves land, water, plant and animal genetic resources, is environmentally non-degrading, technically appropriate, economically viable and socially acceptable.” (FAO Council, 1988).

At the *macro-economic* level, economic growth, employment generation, a serious attack on poverty, reduction in the rates of population growth, and relief of the debt burden in developing countries are among the essential prerequisites for SARD.

1.2 - Environmental challenges

Natural resource management for sustainable agriculture and rural development in the Mediterranean region is constrained by a number of pressures (see World Bank, 1995a):

- *Overuse of water resources* continues to be a matter of concern. The population in the Mediterranean region is growing rapidly and countries are continuing to over-exploit non-renewable fossil aquifers at excessive rates.
- *Desertification of arable land*. In marginal areas, farmers are continuing to overgraze marginal lands, deplete scarce forest resources, and use increasingly poor-quality water for irrigation, causing the constant shrinkage of productive land. For most Southern and Eastern Mediterranean countries the food gap is expanding and it is unlikely that a change of trend in the status of net food importing countries could be achieved in the next decades. The limited potential for yield improvements in rain-fed and irrigated areas combined with the uncertain evolution of world food prices make the future situation quite worrying for net food importing countries in the region. The challenge for many Southern and Eastern Mediterranean countries is to reverse this trend without depleting their natural resource base.
- *Deforestation* is continuing to expand. Important natural habitats of forest

grasslands are still being destroyed, in spite of the reforestation efforts encouraged in some countries.

- *Unrestrained urbanisation.* This is a source of air pollution in major urban centres. In turn, rural poverty in developing countries is a major cause of intra-country demographic pressure and rapid urbanisation. As both water and arable land become scarcer, urban centres, especially in the Southern and Eastern Mediterranean countries, are growing at a dramatic rate, exposing increasing numbers of the poor to inferior housing, worsening air pollution, and sub-standard sanitation. Urban expansion and tourism are often related developments, which are a source of depletion of agricultural and coastal ecosystems.
- *The human dimension* of the above problems is equally disquieting. The vast majority of the poor in Southern and Eastern Mediterranean countries (about 70%) live in rural areas (Bishay, 1998). In the Middle East and North African region (MENA) some 50 million people have no access to safe drinking water, and 85 million lack safe sanitation.
- *Loss of bio-diversity.* The Mediterranean terrestrial eco-region holds almost 5% of the vascular plant species on Earth (over 25,000 species), and is one of the richest areas in terms of bio-diversity. The region is known as the place of origin of dry area crops and livestock. The environmental characteristics of rural landscapes vary across the Mediterranean region, which determine the nature of their response to environmental pressures and impacts. Rural areas provide a rich diversity of landscapes, whose primary characteristics have been shaped over time by climatic and biological processes and influenced by human activities. But the relatively high nature value of many cultivated landscapes has been under severe pressure for several decades, evolving towards a more uniform and less complex landscape.
- *Intensification of landscapes* on both sides of the Mediterranean basin. Traditional agricultural systems require a considerable input of skilled work to manage grazing systems and maintain features such as dry stone walls and hedgerows. With the decline in traditional farmland management, the shift towards mechanisation and more intensive production systems, coupled with a decline in the numbers of people working the land, many of these 'cultural' landscape features are being lost (Box 1.2).

In addition to the above-mentioned pressures several emerging issues are currently under discussion:

- A pessimistic scenario of trade liberalisation in the agricultural sector would probably reinforce the current trends of intensification for cash crops even in countries where food security is not attained. Irrigated crops will increase the

demand for water, the supply of which is severely limited and subject to multiple and competing uses. However, as will be discussed below, links between trade and environment are yet to be well established. Negotiations comprising health and bio-diversity combined with genetically modified food (GMO) will also have important implications for Mediterranean countries. Not only because some of them are large cereal and dairy produce importers but also because of the implications for one of their principal exports (fruit and vegetables).

- The rural sector is a significant supplier of positive externalities, according to the concept of multifunctionality that will be reviewed later in this chapter. The question is whether the positive externalities associated with rural activities are more important than the negative externalities resulting from agriculture.

Box 1.2 - Main threats to European landscapes

Landscapes are undergoing radical transformation as a result of six main trends:

- the intensification of agricultural landscapes in which the quest for greater agricultural productivity continues with ever larger property structures and increasing mechanisation;
- the reforestation or fallowing of rural land gradually abandoned by agriculture, the continuation of a centuries-old transformation process;
- increasingly fragmented habitats, in particular in large alluvial valleys or on coastlines;
- the expansion of the urban peripheries of large cities until they form metropolises;
- the spread of public transport infrastructures, motorways, high-speed rail tracks and power lines;
- the expansion of tourist facilities in mountain regions or on coastlines with an increasingly marked propensity to engage in large cultural marketing campaigns on important historic or natural sites.

Source: Luginbuhl (1998) Landscapes: Policies for a pluralist Europe. Naturopa: 86, 1998.

1.3 - Rural poverty and sustainable agriculture

The development of rural areas has obvious connections with the conservation of the natural resource base. A misunderstanding of those connections could lead to the mistake of believing that rural growth and sustainable development are contradictory in essence. However, rural poverty can be conceived as both a **cause** and an **effect** of pressure on the natural resource base and degradation of the environment. The rural poor are frequently exposed to the dangers of erosion and the loss of an already miserable productive base; but poverty also accelerates erosion and desertification. Rural people usually lack capital to invest even in traditional methods of water and soil conservation. Short-term decisions are a matter of survival for many rural producers in developing countries. Poverty leads to short-term decision-making that is often environmentally destructive. It is difficult to ask an agricultural producer to stop degrading the soil and to switch to environmentally friendly farming methods, when overexploiting and exchanging some of the natural capital stock for cash may be the only profitable alternative.

As has already been underlined, almost three-quarters of the poor in the Southern and Eastern Mediterranean countries live in rural areas: they are the rural poor (Bishay, 1998). They depend on agriculture and/or other non-farm activities for their livelihood. The rural poor usually live in areas where fertile land is scarce, agricultural productivity is very low, natural disasters (floods and droughts) are frequent, and natural resource degradation is quite common. Rural growth would enhance the demand for labour, thus generating further rural employment, reversing the rural-urban migration process, reducing rural poverty, increasing rural incomes, and finally contributing to the overall rural development objectives. Without growth and savings, there will be a lack of investment for resource conservation.

World development thinking is concerned about the question of alleviating rural poverty in the developing world, thus reaffirming ideas which were already formulated in the early 1980s (Kossaifi 1998, Khan 2000). It can be said that in the Southern Mediterranean countries, the poor are usually farmers with little or no land; they are self-employed in the informal sector, and have limited skills. Usually, most poor people live in rural areas and, in the countries where the majority of the poor are urban, poverty incidence is higher in rural areas. Occupationally, poor people in rural areas are agricultural wage earners (in Egypt, 40% of the rural poor have been reported to be agricultural workers; see Eeghen, 1995), and small farmers. In several countries, high population growth has contributed to poverty. Demographic pressure and limited water and land availability have led to mass emigration to large cities where rural migrants settle with few employment possibilities and limited access to social services.

In a more general context, some environmental problems seem to worsen with poverty (Esty, 1999). From this point of view economic growth can make resources available for investments in environmental protection. The population explosion

presents a major challenge for the Southern Mediterranean region in terms of the need for job opportunities and housing. However, the expanding labour force can also be seen as an opportunity to generate higher income per capita and resources for sustainable development (Dhonte, Bhattacharya, and Yousef, 2000), but there is no guarantee that this positive result will always be the case. It is therefore important that environmental policies evolve in parallel with growth-orientated strategies.

1.4 - Sustainable agriculture and trade policy

Links between trade policy and the environment are relevant to the discussion of the choice of appropriate public strategies to deal with environmental problems. Two major policy issues arise from these links. First, the question on how the liberalisation of agricultural trade could impact the environment. And secondly, the effects of environmental policies on trade. Both questions are of interest to Mediterranean policies in their attempt to create a more integrated marketplace.

As regards the first question, the 1999 CIHEAM Report (section 1.4) underlined the difficulties in anticipating how and to what degree trade liberalisation will affect the environment in Mediterranean ecosystems.

It is interesting to observe that so far the debate on environmental effects on trade has focused mainly on the so-called “negative externalities” of the agricultural systems such as pollution and less on the provision of public goods. In the case of agriculture, the standard line of argument is that liberalised trade in most countries will result in reduced product prices and, by implication, less environmental stress since lower product prices imply lower production and less intensive use of inputs. Further, environmental gains would follow indirectly from the redistribution of production between countries so that more production would be produced in countries with the best natural conditions and higher production efficiency (Anderson and Blackhurst, 1992; Anderson, 1999).

The current approach to EU policies is based on the hypothesis that a substantial reduction of farm subsidies in the heavily supported crops in some European regions, or, at least, the introduction of environmental conditions pertaining to such subsidies, would yield environmental benefits.

However, recent experience in the European Union suggests that improvements in the eco-efficiency of the agricultural sector are largely due to independent developments in production efficiency as a result of agricultural research and farmers' behaviour. As a matter of fact, the quantity of inputs per hectare in Northern Mediterranean agriculture has remained relatively stable in recent years, with diverse patterns between countries (see Table 1.1). This is due to two trends: a steady decrease in the area of agricultural land and more intensive production.

Such a development is fully in line with the CAP. At the start of the CAP, the major issue was product price support; since the 1992 and 1999 revisions, most CAP funds have been allocated to supporting farm incomes and providing compensatory payments, with agri-environmental programmes receiving only a relatively small share of the budget.

While agricultural price support encourage farmers to plant on marginal lands which often require more intensive and pollutant production techniques, agricultural trade liberalisation could provoke a reduction of agricultural activity in marginal lands. This could have the effect of abandonment of cultivated areas and could therefore lead to increased erosion and deforestation.

In contrast, in some Southern and Eastern Mediterranean countries, where agriculture is less protected, enhanced market access in the EU countries could increase exports of products from irrigated areas. The average use of fertilisers per hectare in the Southern Mediterranean countries is less than half that in Europe (see Table 1.1). However, trade liberalisation could lead immediately to a negative effect, normally concentrated locally, with an impact on the local population, as a result of the pressure on water resources and bio-diversity and of the pollution caused by the increased demand for cash products.

Assuming that trade liberalisation will cause the reallocation of agricultural production away from countries with comparatively high levels of trade protection to developing countries, it is difficult to forecast any clear net effect in the levels of environmental degradation as the result of agricultural reform. As discussed above, in developing countries, agricultural production is less intensive and it is rural poverty that is responsible for the degradation of rural and urban environment.

Table 1.1 - Fertilizers per hectare			
	1981-85	1991-95	Tx 1983-93
	Kg/ha		(%)
Mediterranean countries	109	107	-0.2
Northern Med	134	130	-0.3
Southern Med	51	62	2.0
Spain	75	91	2.0
France	298	251	-1.7
Greece	160	145	-1.0
Italy	168	167	-0.1
Portugal	77	82	0.6
Albania	133	29	-14.1
Cyprus	110	173	4.7
Turkey	54	66	2.1
Algeria	25	12	-7.0
Libyan A J	39	43	0.9
Morocco	31	32	0.2
Tunisia	17	20	1.3
Egypt	334	313	-0.7
Israel	204	231	1.3
Jordan	40	34	-1.4
Lebanon	135	123	-0.9
Syrian A R	32	65	7.3

Source: MED AGRI 2000

The relationship between trade liberalisation and the environment is thus somewhat unclear. Even if agricultural policy reform, including trade liberalisation, enhances the potential for environmental improvement it does not guarantee it, because of the need to implement appropriate policies for the environmental targets (Ervin, 1997).

Furthermore, while free trade may or may not contribute to an overall reduction in pollution, it cannot produce incentives securing the provision of public goods from agriculture. These must either be paid for directly (the case of competition with other resource use), or provided indirectly through the level and form of agricultural production (the case of joint production).

A second question concerns the possible conflict between trade and environmental policies. These links between trade and environment have to be recognised by policy-makers as economic integration deepens, as is happening in the Mediterranean area.

In the Mediterranean context, the fear of competitive disadvantage in an integrated Mediterranean marketplace focuses the attention of industrialists, environmentalists and politicians. In fact, some governments may tend to relax the enforcement of their standards or fail to raise standards for fear of exposing their industries to higher costs than those of their competitors (Barron and Cottrell, 1996). The likelihood of a competition dynamic increases as economic integration progresses.

There is still a great deal to be done, however, particularly in the field of « grey protectionism », which industrialised countries resort to in order to limit access to their markets for more or less “sensitive” products from developing countries. Developing countries fear that high-income countries enforce stricter national standards and laws extraterritorially. Is this possible within the WTO framework?

While the WTO has no specific agreement dealing with the environment, a number of agreements include provisions dealing with environmental concerns. These provisions include: (i) GATT Article 20, which exempts policies affecting trade in goods for human, animal and plant protection from GATT disciplines; (ii) the explicit recognition of environmental objectives under Technical Barriers to Trade; (iii) the exemption of environmental programs from cuts in agricultural subsidies (the so-called “green box”). Considering the harsh and water-scarce environments in which agricultural productivity improvements and poverty alleviation have to be sought as well as the strong linkages between agriculture and the natural resource base, Mediterranean countries should seek active involvement in the decision-making process of the WTO Committee on Trade and the Environment (CTE) and to pay close attention to the provisions dealing with the relation between trade and the environment.

Farm trade and the environment are two of the most controversial issues to be discussed in forthcoming negotiations on agricultural trade liberalisation. With regard to the responsibilities assigned to the WTO, it is recognised that the organisation is only competent to deal with questions that arise when environmental policies have a significant impact on trade. The position of the CTE is that the basic WTO principles of non-discrimination and transparency are not incompatible with trade measures needed to protect the environment including actions taken under the environmental agreements.

Current WTO rules only allow “production process” standards to be applied to imports when it can be demonstrated that the processes targeted have repercussions for the physical characteristics (quality) of the product concerned. But in many cases the process standards cannot be justified under this criterion,

and this has given rise to disputes at the WTO level. The fear of low-income exporters is that such standards could eliminate their ability to exploit their comparative advantage.

The demand for higher quality and safer food rises in tandem with per capita incomes. However, both perceptions of the safety of different foods and food production and processing methods and conformity assessment procedures differ widely - even among countries with similar income levels. The WTO Dispute Settlement case between the US and the EU on beef hormones showed that standards differences are difficult to resolve even with the best scientific advice. Other examples are irradiated food, cheese made from unpasturised milk, and genetically modified organisms. Over time such issues will arise increasingly under the Uruguay Round's SPS and Technical Barriers to Trade agreements.

As the pace of economic integration increases, so do the number of trade-environment conflicts. The pressure for a more systematic commitment to building environmental considerations into the international trading system shows little sign of decline. In fact, the WTO has been criticised for failing to advance trade-environment harmony and, more specifically, for focusing almost exclusively on the trade effects of environmental policies with little attention being paid to the environmental consequences of trade policy. Some authors believe that the call for the separation of economic and environmental concerns is simply practically impossible (Esty 1999). Environmental questions and trade policy cannot be regarded as separate issues. Ignoring the environmental implications of trade policy-making poses a serious threat to current and future integration efforts.

The authorities concerned remain optimistic. In the opinion of the previous Director General of the WTO, trade liberalisation and environmental protection are not only becoming increasingly compatible objectives but must also constitute the two sides of the same strategic coin aiming to implement sustainable development on the global scale (Ruggiero, 1998). Working to reduce market access restrictions and export subsidies would amount to creating favourable conditions for better environmental protection. However, as M. Ruggiero adds, measures must go further; global consensus must be reached on the trade and environment issues, agreements must be concluded and binding standards must be laid down at the world level. The some 185 multilateral environment agreements that have already been concluded would then constitute "the best means of tackling world ecology problems". Provided that the non-discrimination clause is respected, the WTO rules would not impose any constraints on countries in their choices for protecting their environmental standards or preserving their resources².

² It must be pointed out in this context that, according to the Marrakesh Agreement, the subsidies which have not been reduced include those which are designed to encourage the adaptation of existing facilities to new environmental prescriptions. Cf. WTO, 1998.

In the long term, the WTO must find a more rational way of balancing trade and environmental goals. The current mechanism (found in Article 20 of the GATT) requires countries whose environmental policies have been challenged as trade barriers to demonstrate that they have selected the "minimally trade-distorting" or "least inconsistent GATT" policy tool available. This standard sets an almost impossibly high impediment for environmental policies because, in almost every case, there is some environmental strategy or approach that would interfere less with trade.

A common background of concern for the effects that trade liberalisation may have on the environment is not trade expansion per se, but the consequences of economic growth derived from the development of trade flows and the possible international reallocation of production. Therefore, the most appropriate way to prevent the possible negative impacts is not to be found in the use of trade policy measures, but in the adoption of policies that focus on the specific problems. If rural poverty is the issue, then economic growth, income distribution and rural development will become the long-term strategies for reducing negative environmental impacts. However when the effects of environmental problems and policies go beyond the borders of a specific country, international co-operation in response to environmental challenges can be of interest to improve policy outcomes. The Euro-Mediterranean Partnership established a new framework which will shape economic and political relations across the Mediterranean basin and increasingly provide new forms of regional co-operation, which will obviously cover the environment issue.

1.5 - Sustainable agriculture and the Euro-Mediterranean partnership

In the longer term, the Barcelona process aims to create a "shared zone of prosperity through the establishment of a free trade area". While the benefits that can be expected from the FTA can be significant in terms of economic growth, infrastructure developments and the integration of Mediterranean countries into regional economic flows, how such benefits will be distributed (e.g. potential winners and losers) needs to be taken into account. Similarly, structural adjustment and trade liberalisation will lead to the reallocation of resources, changes in relative prices, and the transformation of the role of the state and of the private sector, which will be expected to fulfil functions previously performed by the state.

Although the Euro-Mediterranean Partners have committed themselves to "assessing the environmental problems in the Mediterranean region and defining the initiatives to be taken" (Work Programme, Euro-Mediterranean Partnership), so far little assessment has been carried out of the potential environmental effects of the Association Agreements. There is a risk that the FTA will intensify the pressure on already scarce natural resources (water, arable land, forests), lead to

increased pollution of water, air and soil, increase the generation of industrial and hazardous wastes, and result in a loss of bio-diversity.

The Euro-Mediterranean Partners have emphasised the importance of achieving a sustainable and balanced economic and social development and integrating environmental concerns into all policy areas. This will require that trade and environmental policy objectives be integrated into the implementation of the Euro-Mediterranean Association Agreements from the outset.

Is the Mediterranean FTA sustainable from the environmental point of view? A series of potential trade-environment conflicts can be argued, including:

- Agricultural areas likely to see increased activity lack sufficient infrastructures to handle the expected increase in water use, waste production and pollution.
- Differences in levels of environmental legislation and enforcement between Mediterranean countries cause the potential danger of the establishment and/or relocation of polluting activities in the EU to the South, where environmental standards and enforcement levels are lower. There is a corollary threat that environmental standards might be deliberately lowered in an effort to attract capital investment, creating a so-called "pollution refuge" (Hesselberg and Knutsen, 1994).
- As tariff measures become less important as an intra-regional trade barrier, there is a risk that they might be replaced by non-tariff measures. Standards could become a sort of new-protectionism based on sanitary and pest control measures.

However, the pro-FTA stance would include the following arguments on the environmental benefits of the Association Agreements:

- Increased economic growth would help to fight poverty, a source of resource degradation.
- Since environmental awareness tends to increase with socio-economic status, a rise in the average living standards would, in turn, result in stronger demands for environmental protection and more funding available for that purpose.
- Reduction of tariffs, quotas, and other protectionist measures would mean a more efficient allocation of resources.
- The free exchange of goods would facilitate the transfer of environmental technologies and other forms of environmental co-operation.
- Given that the previous Co-operation Agreements already granted Mediterranean countries virtually duty-free access to EU markets for industrial goods, there is little room for further reallocation of industrial production from the North to the South. In any case, the potential for environmental damage would be limited to extending the FTA to agricultural products, whose environmental impact is of a local nature, that is, more easily managed through appropriate environmental strategies.

Notwithstanding the broad Euro-Mediterranean Partnership agenda set in the subsequent Ministerial Conferences, the economic provisions of the Euro-Mediterranean Agreements (EMAs) already signed include only a few detailed commitments, most of them related to trade liberalisation. The key commitment concerns the establishment of a free trade area in industrial goods over a 12-year period. In the field of agricultural and fisheries trade the EMAs call for gradual and reciprocal liberalisation while offering very limited improvements in access to the EU markets. Talks to improve agricultural concessions are scheduled to start five years after the signing of the EMAs.

**Box 1.3 - The environmental dimension in the EU-Morocco
Association Agreement**

Whereas the Barcelona Declaration underlined the importance "of reconciling economic development with environmental protection, of integrating environmental concerns into the relevant aspects of economic policy and of mitigating the negative environmental consequences which might result.", the Association Agreement between Morocco and the EU - although signed only a few days later - curiously lags behind on the environmental issue.

The environment question seems to be only partially broached in this agreement as a subsidiary, or even incidental, issue. The preamble to the agreement does not even allude to environmental protection or the safeguarding of natural resources. Nor do the declared aims of the agreement, in which any ecological dimension is completely ignored. Even in aim no. 5, which merely mentions promoting "economic, social, cultural and financial co-operation", the environmental field - which could have been introduced here quite naturally - hardly seems to have occurred to the drafters of the agreement.

This being so, the environment question is mentioned here and there in the agreement, often in fairly general terms and thus hardly involving any specific or significant commitment. And it is actually in the context of the chapter devoted to economic co-operation that the 4th of the 5 points specifying the scope of that co-operation is formulated as follows: "Preservation of the environment and ecological balances shall constitute a central component of the various fields of economic co-operation." A little further on, the only article devoted entirely to the question (Article 48) merely lists the objectives to be achieved by co-operation in the field and indicates several possible fields of co-operation: soil and water quality, the consequences of development, particularly industrial development (especially safety of installations and waste), and the monitoring and prevention of marine pollution. Other articles deal with various questions mentioning certain aspects relating more or less directly to the environment. Article 45, for example, which deals with regional co-operation, considers the environment to be one of the fields in which co-operation should be promoted. In the energy field, Article 57 considers that co-operation measures should focus on renewable energy and action to promote energy saving.

As regards quality standards, on the other hand, the European party seems particularly anxious to induce Morocco to adopt its norms and standards and bring Moroccan legislation up to the European level. Article 40 specifies that "The parties shall take appropriate steps to promote the use by Morocco of Community technical rules and European standards for industrial and agri-food products and certification procedures." With regard to standardisation and the evaluation of conformity, Article 51 stipulates that the Parties cooperate in developing the use of Community rules in standardisation, metrology, quality control and conformity assessment.

A comparative analysis of the EMAs and the intra-Arab Association Agreements has revealed that many of the concluded bilateral FTAs consist of a wide range of preferential arrangements that focus on the “traditional” trade agenda: elimination of tariffs and other import charges. This is not enough for achieving a strategy of deep integration that will enhance the potential gains for regional integration (Zarrouk and Zallio, 2000). However, recent steps have been taken to speed up the deep integration process beyond the purely commercial aspects (see Box 1.4).

Box 1.4 - Recent steps towards a broader agenda

The broad agenda proposed by the European Commission aims at activating many co-operation areas which the EMAs left without any detailed commitment. The fields of action suggested by the European Commission were endorsed in principle by partner countries and approved, with minor exceptions, by the Euro-Mediterranean Conference on Regional Co-operation held in Valencia on 28-29 January 1999. The Conference “welcomed the proposal by the Commission for accompanying measures at the regional level to permit greater harmonisation and greater compatibility” and identified the following areas for a strengthened co-operation: “customs co-operation, free movement of goods, public procurement, harmonisation and certification of standards, intellectual property rights, taxation, data protection, competition rules, accounting and auditing.”

The field of standards certification and harmonisation was added to the previous priorities of the Euro-Mediterranean Partnership, increasing the role of deep integration in the EMAs. The agenda was further approved by the Third Euro-Mediterranean Conference of Foreign Ministers held in Stuttgart on 15-16 April 1999, which endorsed the list adopted by the Regional Co-operation Conference. Moreover, with reference to another subject raised by the European Commission, the Conference mentioned the “central role that cumulation of origin has to play in enhancing effective economic integration in the region. [Ministers] called for all necessary measures to be taken to ensure that a system with identical rules of origin opens the way to full cumulation throughout the Euro-Mediterranean area as soon as possible.” Therefore, far-reaching integration is now high on the Euro-Med agenda; the fields of action agreed upon last year go far beyond the scope of the bilateral FTAs signed by the Mediterranean Arab Countries. However, if deep integration makes progress in the Euro-Med context, pressure will grow for a deepening of the inter-Arab FTAs.

In a recent communication, the European Commission (2000) insists in defining by 2002 a time-table for single-market type harmonisation measures of certain priority sectors such as rules of origin, customs matters, norms and standards, and Intellectual property protection. The implementation of this harmonisation programme, which would cover both convergence with the EU and intra-Mediterranean harmonisation, would take place as of 2004.

Source: Zarrouk and Zallio (2000) and European Commission (2000)

The EMAs mention a number of issues that go beyond trade liberalisation, such as the liberalisation of public procurement and the adoption by partner countries of EU technical rules, standards, and certification procedures but without detailed

commitments or target dates. The EMAs thus have the potential to achieve far-reaching regional integration, but their limited commitments may reduce the Euro-Med partnership to a single FTA. This remark also refers to environmental standards. The Association Agreements themselves (those signed so far) contain a generic article referring to co-operation on a series of environmental issues. It thus is not explicitly recognised that the trade liberalisation process might itself affect the environment and the use of natural resources (most notably water and land use). Failure to address environment issues through regulatory harmonisation will leave future trade open to conflicts.

This is due partly to the following factors:

- There is no unambiguous multilateral WTO doctrine integrating environmental concerns into trade policies.
- Each country can claim the right to implement its own standards. In the Mediterranean regions, harmonisation of environmental standards will require a great deal of effort due to the large number of countries involved and the greater disparity between existing regulatory systems.
- Regulations on European standards are usually complex. However, with the exclusion of Turkey, Cyprus and Malta, countries participating in the Customs Union and accession candidates, European standards are not binding for the remaining Mediterranean partners.

Five years after its launching in Barcelona, the Euro-Mediterranean Partnership displays remarkable resilience, having managed to survive during a politically difficult phase in the Middle East which seems to be coming to an end only now. However, the economic side of the Euro-Mediterranean Partnership is facing serious delays and difficulties. Delays in ratification and implementation have also been worrying. Apart from the interim association agreement with the PLO and an interim agreement on trade and trade-related matters with Israel (pending the entry into force of its EMA), only the EMA with Tunisia was already in force as of March 1998, 33 months after the signing. The EMA with Morocco came into force in March 2000, 48 months after the signing, but with significant discrepancies, not yet resolved, over issues such as the re-negotiation of access to EU agricultural markets and the fisheries agreement. Delays in the conclusion and ratification of the agreements may extend the time horizon of the Euro-Mediterranean Free Trade Area, weakening the policy credibility effect of the agreements.

Taking avoidance of the abuse of environmental standards as a new source of protectionism as a general principle, the harmonisation of standards could yield significant gains for the partner countries due to the positive impetus it gives technological transfer from the North to the South. However, to achieve this positive result, there is a need for measures to strengthen regional co-operation in order to make those standards a real opportunity rather than a constraint for the region's development. While commitments on environmental standards are few

and far between within the Euro-Mediterranean Partnership framework, a little more progress has been made in regional co-operation in the field of environmental policy.

In the field of environmental policy, co-operation has responded to the need for softening the environmental impact of growth, and has included the building of basic infrastructures, the training of personnel in environmental fields, and the provision of financing for enforcing measures for reducing the environmental damage entailed in the intensification of production. A Short and Medium-Term Priority Environmental Action Plan (SMAP) was adopted by the Euro-Mediterranean Partners at the Helsinki Ministerial Conference for the Environment, on 28 November 1997. The SMAP provides a framework for environmental co-operation at the regional level, and it is intended to direct investments in the region to several priority areas: waste and water management, coastal zone management, desertification, and bio-diversity loss in specific hot spots. However, the regional funds allocated to the SMAP are clearly insufficient to address the existing environmental challenges on a significant scale. The SMAP should receive much more funds, partly because of the failure of Association Agreements to mainstream environmental issues as part of the package to be funded through MEDA funds (see box 1.5).

The World Bank has identified a number of actions at the regional level which, even in the absence of the FTA, will help alleviate the pressing environmental problems the region is currently facing (World Bank, 1995a). The costs of "no action" (i.e. environmental neglect) are estimated to be in the range of \$12 to \$14 billion (almost 3% of the GDP of MENA countries).

Promoting a pattern of development which fulfils the needs of the population and at the same time ensures that the environmental resource base is maintained for future generations is therefore a long-term goal. In order to achieve this goal a comprehensive approach integrating rural development and environmental protection must be adopted. This implies working with local communities (where appropriate, with the support of local NGOs), building capacities, launching model projects and influencing the policy frameworks operating in the region. Such an approach requires working from the local, through the regional and up to the national level.

Box 1.5 - MEDA and the environment

Based on the experience of the past five years, the EU is currently in the process of revising and reforming its procedures for the execution of its Mediterranean policy (see European Commission, 2000). The centrepiece of a reinvigorated Barcelona Process will be the MEDA II Regulation, which will involve a budget of 5,350 million euros for the 2000-2006 period, as confirmed in the recent Euro Mediterranean Conference held in Marseille (15-16 November 2000). Ponderous administrative procedures for implementing projects had led to a low disbursement rate under the MEDA I Programme, and the MEDA II Programme will continue the financial engagement of the Union in the Mediterranean region on a more efficient basis. The MEDA budget has devoted some attention to environmental projects, but to a limited extent. As far as the MEDA national indicative programmes are concerned, environment activities have been supported in Morocco and Jordan; in addition all partners except Syria have benefited from interest rate subsidies on EIB loans for environmental projects - a total of 235 million euros or 7% of total MEDA commitments in the 1995-1999 period. As a regional MEDA programme, the Short and Medium Term Priority Action Programme (SMAP) has launched a first series of projects (7 million euros) and a second round is to be launched in 2000 (20 million euros). The priority areas aim to address integrated water management, waste management, hot spots (polluted areas and threats to bio-diversity), integrated coastal zone management and measures to combat desertification. The European Commission (2000) believes that the link between the implementation of the Association Agreements and funding under MEDA should be made more explicit and future financial allocations should reflect the willingness of partners to pursue the economic transition objectives of the Agreements. Similarly, a sustainability impact assessment of the future Euro-Mediterranean free trade area will be carried out, on the basis of which the Commission will make recommendations for future action.

Source: European Commission (2000).